

## **2011-131 AUDIT SCOPE AND OBJECTIVES—City of Vernon**

The audit by the Bureau of State Audits will provide independently developed and verified information related to the City of Vernon (city) and its Light and Power Department (department) and will include, but not be limited to, the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Review the existing city charter and determine if it, and any proposed changes to it, comply with applicable laws and promotes sound operational business practices. To the extent possible, compare the charter, and any proposed changes, to a sample of other charter cities similar to Vernon.
3. Describe the current governance structure of the city and the department, including determining the roles, responsibilities, and authority of elected officials, employees, contractors, and consultants with key governance or operational roles.
4. For both the city and the department:
  - (a) Examine operational structures and assess the management controls and practices. Determine whether the controls over significant financial and administrative functions provide reasonable assurance that practices are consistent with established policies and are appropriate.
  - (b) Review the current compensation for high level staff, elected officials and consultants to determine how the salaries, benefits, and pension packages are determined and approved. To the extent possible, compare the compensation packages to a sample of other similar cities and power departments.
  - (c) Identify and trend the major revenue sources and expenditures for the most recent five year period. Determine the reason for any significant or unusual fluctuations or trends.
  - (d) For the most recent five year period, select and review a sample of revenues and expenditures. Determine whether such transactions were properly approved and are appropriate.
  - (e) Review the contract bidding, approval and monitoring policies and procedures to determine compliance with any applicable laws, rules, regulations, or best practices.
  - (f) For the most recent five-year period, select and review a sample of contracts, including professional services contracts, and determine if the city and the department adequately followed policies and procedures related to contract bidding and approval, identifying and mitigating conflicts-of-interest, and ensuring adequate performance under the contract.

5. For the most recent seven-year period, identify the number and value of bonds issued by the city, and determine the following:
  - (a) Whether the policies and procedures used to manage bond issuances complied with applicable laws and regulations and whether they were consistent with industry standards.
  - (b) The purpose of each bond issued and if the bonds were well-defined and properly approved.
  - (c) Whether bond proceeds were used appropriately.
  - (d) The status of debt service and its impact on the city's finances or operations.
6. For the department:
  - (a) For professional services contracts active in the past five years, identify the services provided to the department under those contracts.
  - (b) For the most recent five-year period, identify the number and value of bonds issued, and determine the following:
    - i. Whether the policies and procedures used to manage bond issuances complied with applicable laws and regulations and whether they were consistent with industry standards.
    - ii. The purpose of each bond issued and if the bonds were well-defined and properly approved.
    - iii. Whether bond proceeds were used appropriately.
    - iv. The status of debt service and its impact on the department's finances or operations.
    - v. Action the department has taken to minimize negative impacts of the debt service on the department.
    - vi. If the department's financial stability has been or will be negatively impacted by its debt service.
7. Review and assess any other issues that are significant to the operations and finances of city or the department.